

DoD Transition and Logistics Challenges

SOLE: The International Society of Logistics

31st Annual Symposium



**Randy Fowler | Assistant Deputy Under Secretary
of Defense
Materiel Readiness**



**Garden State Chapter
Eatontown, NJ
May 12, 2009**



Agenda: DoD Transition and Logistics Challenges

- **National View**
- **Logistics Enterprise View**
- **ODUSD Logistics and Materiel Readiness Focus:**
 - *Current Operations*
 - *Factory to foxhole*
 - *Contractor Support*
 - *Life Cycle Management*





National View





Administration Insights

“ . . . there is uniform acknowledgment that the procurement system right now doesn't work. That's not just my opinion. That's John McCain's opinion. That's Carl Levin's opinion.

Now, I think everybody in this town knows that the politics of changing procurement is tough. . . and so what we have to do is to go through this process very carefully, be more disciplined than we've been in the last several years.”



**President Barack Obama
Press Conference, March 24, 2009**



SecDef Recommendations

FY 2010 Defense Budget :

"... we must reform how and what we buy, meaning a fundamental overhaul of our approach to procurement, acquisition, and contracting...

...this budget presents...one of those rare chances to ... critically and ruthlessly separate appetites from real requirements - those things that are desirable in a perfect world from those things that are truly needed in light of the threats America faces and the missions we are likely to undertake in the years ahead. An opportunity to truly reform the way we do business.



Secretary of Defense Robert M. Gates

Defense Budget Recommendation Statement, Monday, April 06,

2009



USD (AT&L) Insights

"In our country we buy our military equipment from private industry, so they're our partners in equipping our forces," said Ashton Carter in his first interview with reporters since starting work on Monday as the Under Secretary of Defense for Acquisition, Technology and Logistics. "I would like to have a relationship of candor and dialogue... We're in this together."



*Under Secretary of Defense Ashton Carter
The Wall Street Journal, May 4, 2009*



Acquisition Reform



CongressDaily

LATEST AM

LATEST

MARK UP

COLUMN ISSUE PAGES

DEFENSE

Wednesday, May 6, 2009

Senate Plans To Take Up Defense Procurement Reform Bill

The Senate plans to take up as early as today a bill aimed at changing the Pentagon's weapons buying system, with at least two senators poised to offer amendments they hope will strengthen the legislation...

...Sen Tom Coburn may offer an amendment which would require a report on anticipated operation and support costs ...and eliminate roadblocks to compiling reliable cost information on major programs. [Read More](#)

NationalJournal.com



DoD Logistics Enterprise View

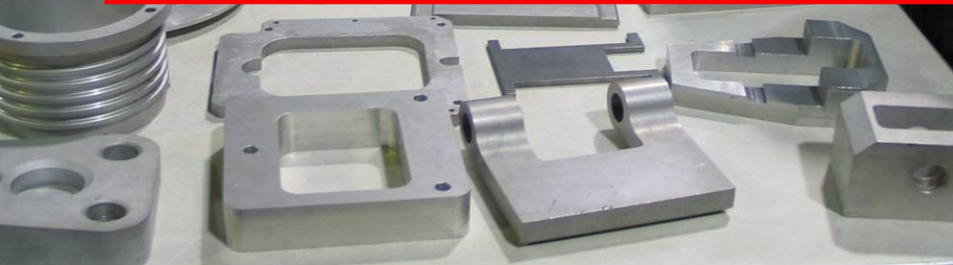


Annual Budget (FY 07) :

\$ 69 billion in supply
\$ 91 billion in maintenance
\$ 18 billion in transportation
\$178 billion total logistics costs

Operational Resources

100,000 suppliers
2000+ legacy logistics systems
116,000+ requisitions per day
\$94B inventory/4.6M items (SKUs)



\$700 billion in assets:

- **283 ships**
- **15,000 aircraft**
- **30,000 combat vehicles**
- **330,000 ground vehicles**

Logistics Operating locations:

- **19 Maintenance depots**
- **25 distribution depots (global)**



New Administration...Same Challenges

DoD Logistics Must Continue to:

- Anticipate Warfighter requirements
- Improve weapon systems availability
- Enable timely deployment of expeditionary forces
- Reduce the requirement for people, equipment, and supplies in theater
- Provide total asset visibility at all times
- Better integrate the public and private sectors to leverage the strengths of each
- Cost significantly less





Deputy Under Secretary of Defense

Logistics and Materiel Readiness

TITLE 10 > Subtitle A > PART I > CHAPTER 4 > Sec. 133b

The Deputy Under Secretary shall perform such duties relating to logistics and materiel readiness as the Under Secretary of Defense for Acquisition, Technology, and Logistics may assign, including:

- ▶ Advising and assisting the Secretary of Defense, the Deputy Secretary of Defense, and the Under Secretary of Defense for Acquisition, Technology, and Logistics providing guidance to and consulting with the Secretaries of the military departments, with respect to logistics, maintenance, materiel readiness, and sustainment support in the Department of Defense; and
- ▶ **Prescribing, by authority of the Secretary of Defense, policies and procedures for the conduct of logistics, maintenance, materiel readiness, and sustainment support in the Department of Defense;**
- ▶ Monitoring and reviewing all logistics, maintenance, materiel readiness, and sustainment support programs in the Department of Defense



Title 10 Delegation of Logistics and Materiel Readiness Responsibilities is not as absolute as some may think.



Joint Logistics Compass Initiatives

4

- **Common End-to-End Framework & Measurement System**

- ✓ *Develop/Implement joint logistics architecture*

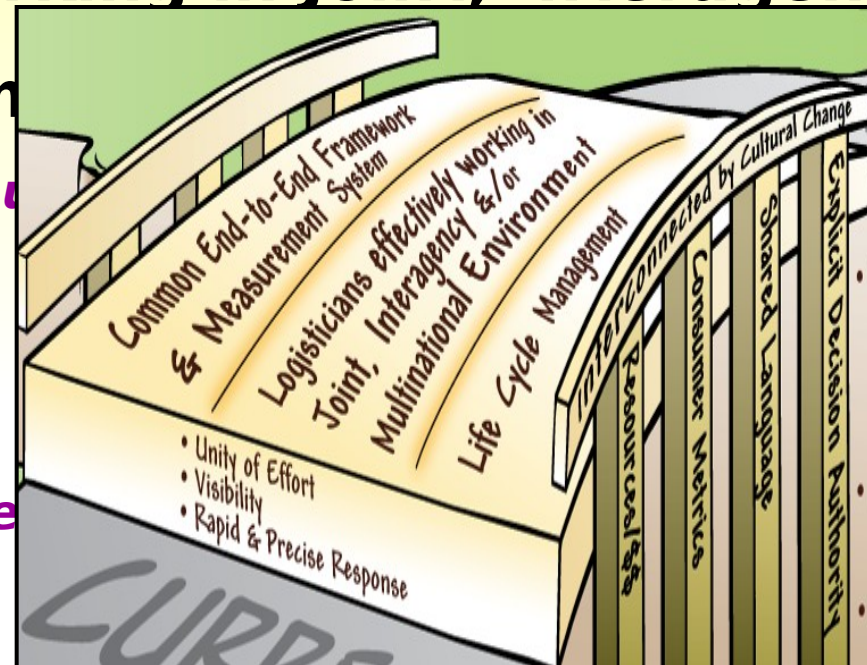
- **Logisticians effectively working in Joint, Interagency &/or Multinational Environment**

- ✓ *Update, validate & implement h capital strategy*

- **Life Cycle Management**

- ✓ *Institutionalize key performance parameters & key system*

09pm12 - *attributes*





Logistics Visioning

- **Not Logistics Reengineering**
- **Not Logistics Modernization**
- **Logistics Reform**
- **Not Logistics Transformation (5 Times)**
- **Not Logistics Strategic Plan (20 Times)**
- **Not Logistics Roadmap**

***Fix Logistics:
This time we mean it!***



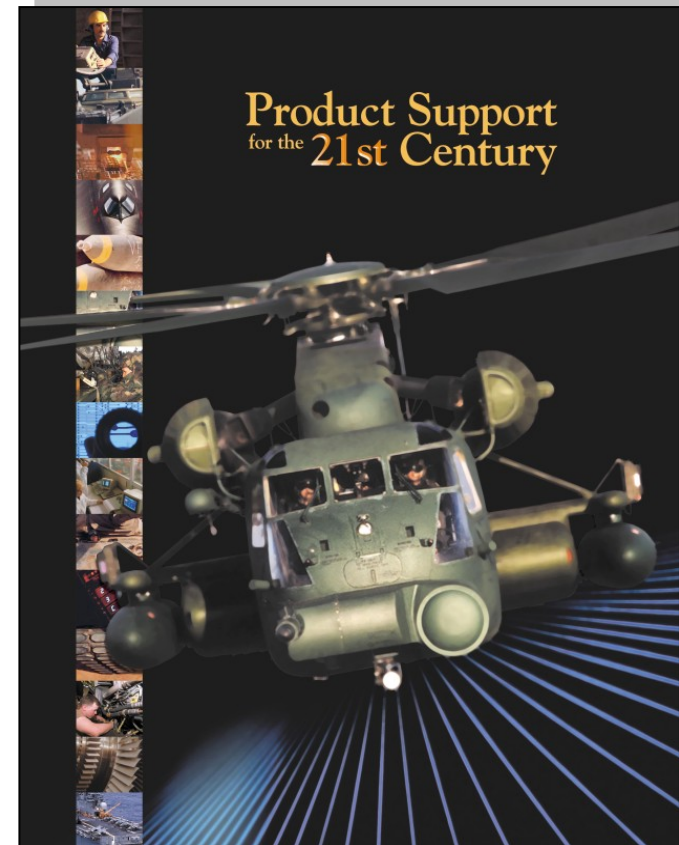
Better Than We Used To Be . . . Not As Good As We Need To Be

The good news:

- Fought 2 wars with outstanding readiness
- Have some pockets of innovation

The bad news:

- Focus remains on transactions, IT/ERP systems, processes, commodities, not warfighter outcomes and integration across the life cycle
- Emphasis on repeating early success rather than building on lessons to extend early success
- Struggle with logistics demand reduction
- Limited sense of transformative urgency and our time is up





ODUSD (L&MR) Focus

- ➔ **Current Operations**
- **Factory to foxhole**
 - **Contractor Support**
 - **Life Cycle Mgt**





Support Current Operations

- **Iraq**
 - **Stability Operations**
 - **Retrograde**
 - **Reset**
- **Afghanistan**
 - **OEF “surge” ?**
 - **Maintaining LOC’s**
- **Global COCOM Support**
 - **Irregular Warfare**





ODUSD (L&MR) Focus

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Supply Chain Improvements

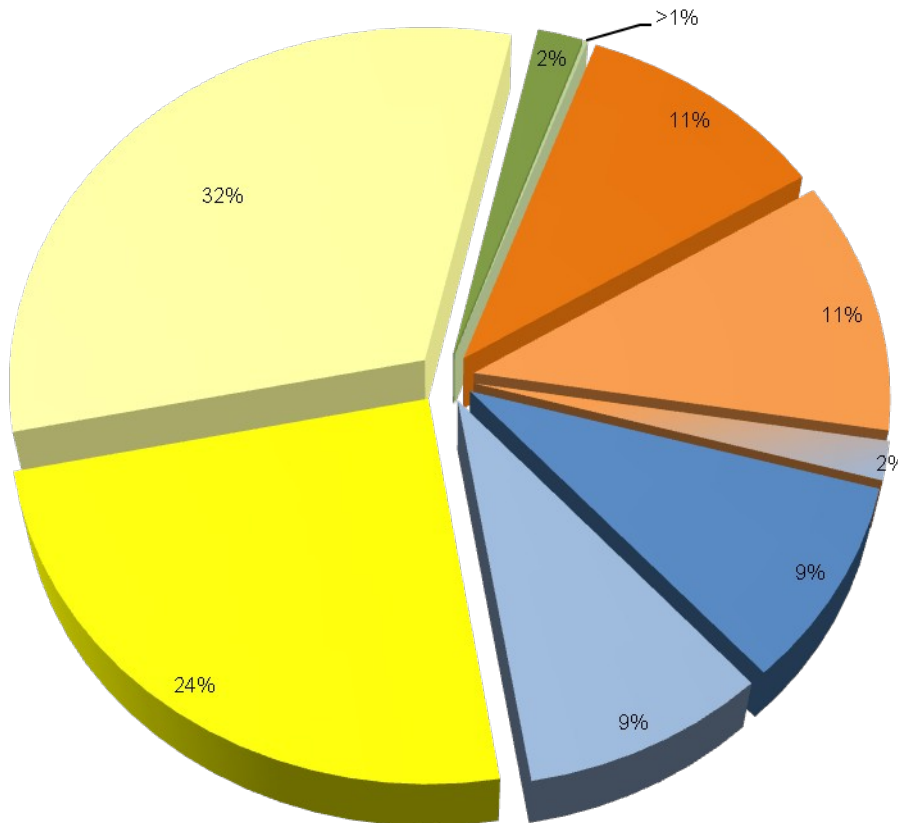
- **End-to-End Integration**
- **Total Asset Visibility**
- **Defense Transportation Coordination Initiative**
- **BRAC**
- **Stewardship**
- **Human Capital Strategy**

GAO	<p>United States Government Accountability Office Testimony Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate</p>
<p>For Release on Delivery Expected at 2:30 p.m. EDT Tuesday, July 10, 2007</p>	<p>DOD'S HIGH-RISK AREAS</p> <p>Efforts to Improve Supply Chain Can Be Enhanced by Linkage to Outcomes, Progress in Transforming Business Operations, and Reexamination of Logistics Governance and Strategy</p> <p>Statement of William M. Solis, Director Defense Capabilities Management</p>
<div data-bbox="1348 1125 1619 1218"> G A O Accountability • Integrity • Reliability</div> <p>GAO-07-1064T</p>	



DoD Logistics Functional Community

Nearly 615,000 active duty military and civilian personnel*
Workforce Sizing by Category



	Civ	Mil	Total
Maintenance Support	143,295 24%	199,516 32%	342,811 56%
Supply Management	63,350 11%	72,037 11%	135,387 22%
Cross-Category (SM & D/D/T)		11,012 2%	11,012 2%
Deploy/Dis t/ Trans	56,194 9%	56,679 9%	112,873 18%
Life Cycle Logistics	12,426 2%	935 <1%	13,361 2%
	275,265 46%	340,179 54%	615,444 100%

Sources: Defense Civilian Personnel Data System (DCPDS)
Defense Manpower Data Center (DMDC)
Military Services

Notes: * Augmented by over 200,000 Guard/Reserve personnel

Demographics current as Sep 30, 2008



DoD Human Capital Strategy

SUPPLY MANAGEMENT



Forecasting and Demand Planning

Supply Planning

Sourcing

Inventory Management

MAINTENANCE SUPPORT



Maintenance Operations
(includes depot maintenance)

Production & Support

DEPLOYMENT/ DISTRIBUTION/ TRANSPORTATION



Physical Distribution/
Transportation Operations

Deployment Planning

LIFE CYCLE LOGISTICS



Logistics Design

Integrated Logistics Support Planning

Product Support & Sustainment

Configuration Management

Reliability and Maintainability Analysis

Technical/Product Data Management

Supportability Analysis

Core Qualifications

Leading Change

Leading People

Results Driven

Business Acumen

Building Coalition

Enterprise-Wide Perspective

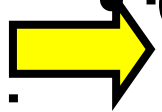


ODUSD (L&MR) Focus

✓ **Current Operation**

✓ **Factory to foxhole**

• **Contractor Support**



• **Life Cycle Mgt**







Contractor Support

- Today's total DoD in-theater contingent is comprised of approximately **50% contractor personnel**, providing a wide range of Combat Support (CS) and Combat Service Support (CSS) services.

- **Contractor Support is Growing**

Conflict	Contractor	Military	Ratio
Revolutionary War	2	9	1 to 6
Mexican-American War	6	33	1 to 6
Civil War	200	1,000	1 to 5
Spanish-American War	n.a.	35	n.a.
World War I	85	2,000	1 to 24
World War II	734	5,400	1 to 7
Korea	156	393	1 to 2.5
Vietnam	70	359	1 to 5
Gulf War	9	500	1 to 55
Balkans	20	20	1 to 1
Iraq Theater as of Early 2008	190	200	1 to 1

- **It Represents Big Money**

CBO estimates there were \$85 billion in obligations for contracts performed in the Iraq Theater* - approximately 20 percent of the \$446 billion in U.S. appropriations for activities in Iraq from 2003 thru 2007.

- **It is a Big Leadership/Management Challenge**

Despite representing $\frac{1}{2}$ the force and $\frac{1}{5}$ or more of the total costs, **military leaders, in general, are not prepared from a PME standpoint** to plan for, interface with and maximize contractor capabilities in the contingency environment.

*All numbers in 1,000s
Source: CBO Paper, "Contractors' Support of Operations in Iraq" -
Aug 2008*

• Iraq, Bahrain, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, Turkey, and the United Arab Emi



ODUSD (L&MR) Focus

✓ **Current Operation**

✓ **Factory to foxhole**

✓ **Contractor Support**

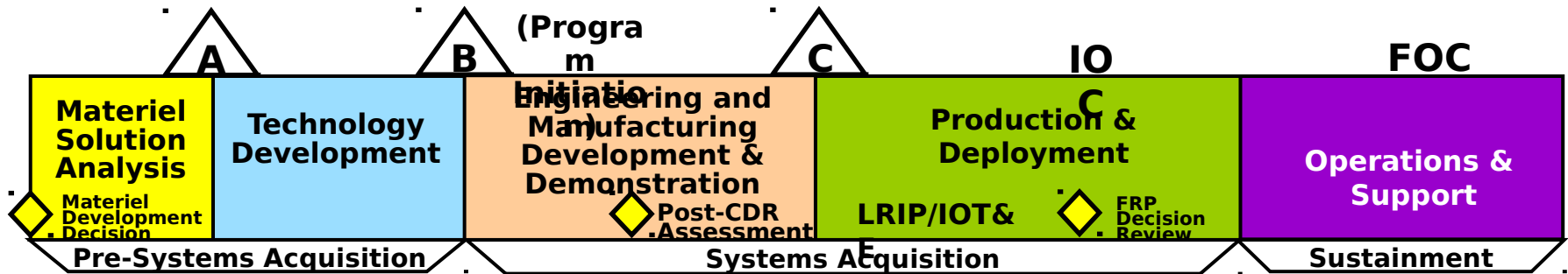
➡ **Life Cycle Mgt**



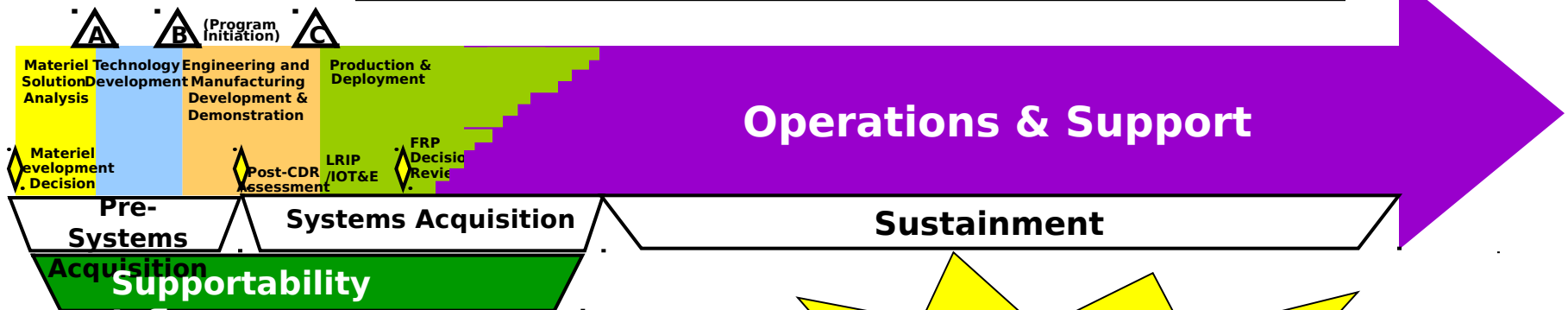


Moving From Acquisition to Life Cycle Management Framework

Traditional Acquisition Perspective



Life Cycle Management Perspective



60-75% of Life Cycle Cost !



Product Support Assessment Team (PSAT) Membership

Services	Army	USA (AMC)	Cross-DOD	DLA	DLA (DSCR)	Industry	AIA & NDIA	Lockheed Martin	
		USA (ASA ALT)			DLA (J -31/-74)			Raytheon	
		USA (DCS G-4)		Joint Staff	J S (J 4)			General Dynamics	
		USA PM (FCS)			J S (J 8)			SAIC	
	Air Force	USAF (A4MM)		OSD	OSD (ATL)			Sikorsky	
		USAF (AFMC)			OSD (BTA)			Honeywell	
		USAF (SAF/AQXA)			OSD (COMPT)			Boeing	
	Marine Corps	USMC (I&L)			OSD (DPAP)			Avascent	
		Navy			USN (ASNRDA, DASNALM)			OSD (PA&E)	N-G
					USN (N4)			ODUSD (L&MR)	BAE Systems



Life Cycle Product Support *Vision & Guiding Principles*

Implementation Guidelines

- Ruthlessly separate needs from appetites
- Understand portfolio of alternatives
- Tie metrics directly to Warfighter outcomes

Implementation Guidelines

- Exhaust opportunities for Joint economy and reduce unnecessary redundancy
- Build the capability to make good enterprise decisions
- Enforce consistency in product support processes & infrastructure



Implementation Guidelines

- Govern sustainment as part of the life cycle
 - Design for sustainability, and integrate acquire-to-retain process
 - Manage predictable costs throughout the life cycle
 - Integrate human capital planning into life cycle focus

Implementation Guidelines

- Optimize public & private product support capabilities
- Leverage core competencies
 - Partnerships are effective; equitable; transparent; bilateral and long-term

Implementation Guidelines

- Manage with facts, and drive accountability for performance
- Build and evolve BCAs that enhance decision making



PSAT Recommendation Build Teams

20 Topical Examinations:

Policy

Strategy

100+ Working Group Recommendations

Resources

Process

Metrics

Business Case

Governance

Operational Strategy

O&S Costs

Next Gen PBL Business

Human Capital

PPP/Industrial Integration Strategy

Weapon Sys. Analysis

DoD Product Support Assessment



July 2009

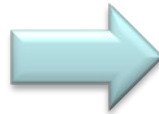


Next Generation Business Model Recommendation

Adopt a “Product Support Business Model” that drives cost-effective performance and capability across the weapon system life cycle and enables the most advantageous use of an integrated defense industrial base.

Moves away from:

- PBL as the only strategy
- PBL as a rigidly defined, singular strategy
- PBL as a “Contracting Strategy”
- The implication that PBL is outsourcing with industry



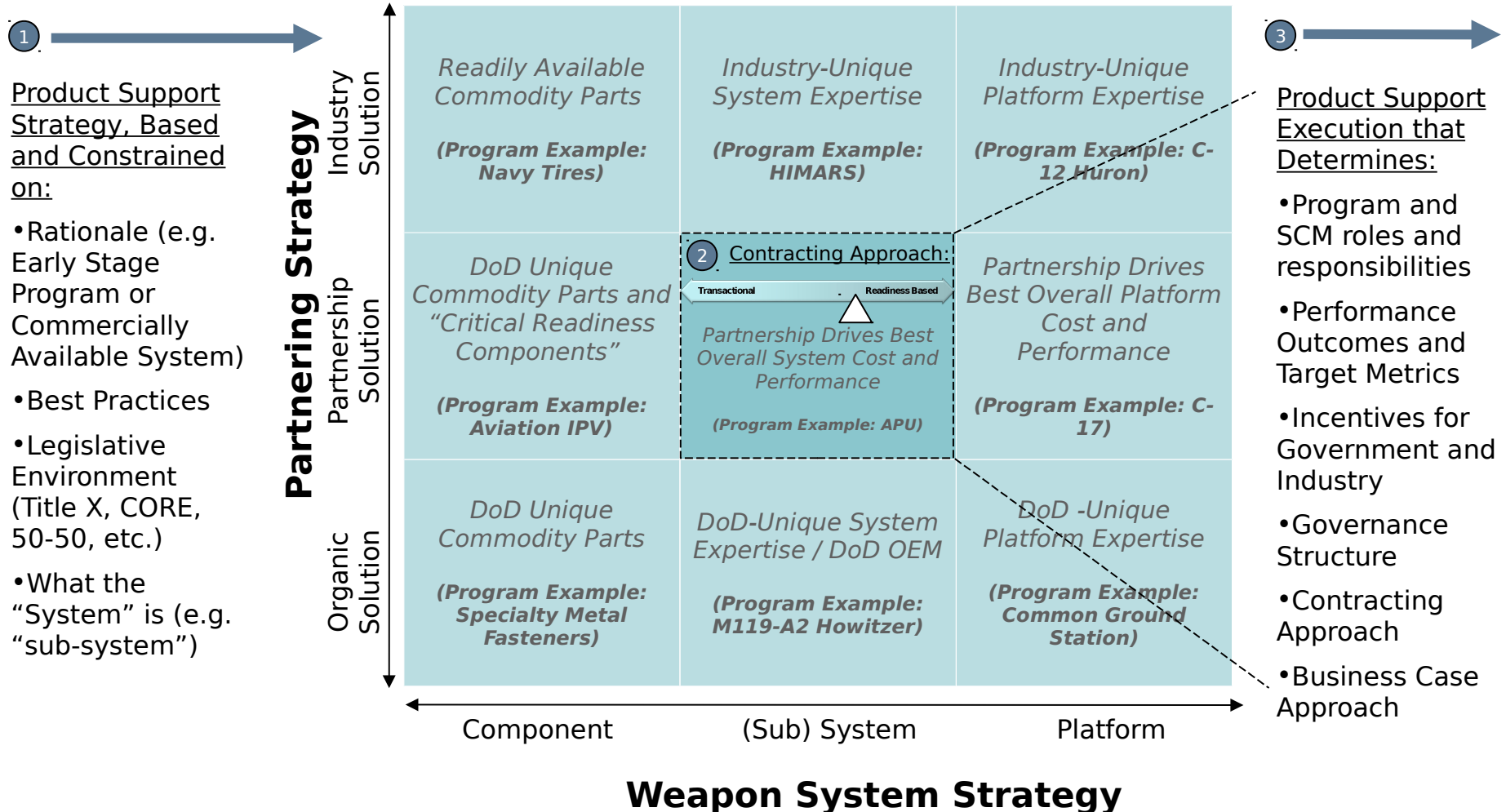
Moves Towards:

- PBL as a one of several applicable strategies
- PBL as a Supply Chain Management Solution
- Clarity that PBL is applicable both with industry and within government



Product Support Business Model

Range of Product Support Solutions Address Unique Support Requirements





CECOM LCMC - Sharing the Vision

Life Cycle Product Support Vision & Guiding Principles

Implementation Guidelines

- Ruthlessly separate needs from appetites
- Understand portfolio of alternatives
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Implementation Guidelines

- Govern sustainment as part of the life cycle
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Joint Logistics Compass Initiatives

Implementation

- Exhaust opportunities for joint economy unnecessary
- Build the capital good enterprise
- Enforce consistency in product support & infrastructure

Common End-to-End Framework & Measurement System

- ✓ Develop/Implement joint logistics architecture

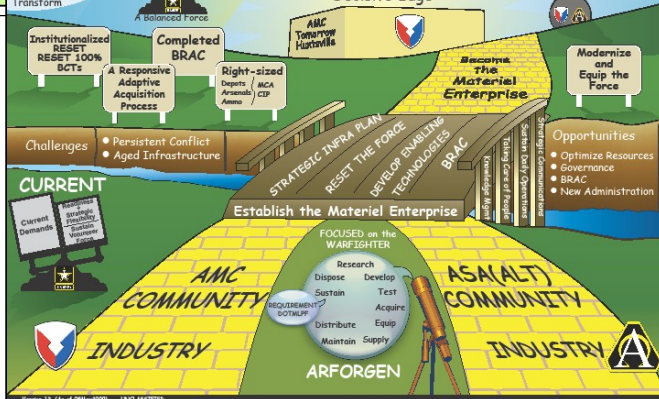
Logisticians effectively working in Joint, Interagency, &/or Multinational Environment

- ✓ Update, validate & implement human capital strategy

Life Cycle Management

- ✓ Institutionalize

SA/CSA Imperatives



DESIGN FOR SUSTAINMENT

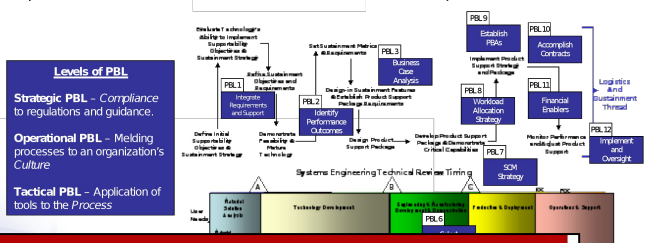
- Ensures support through system life cycle
- Sets expectations of Government and Industry
- Synchronizes metrics decomposition and aggregation
- Generates deterministic communications



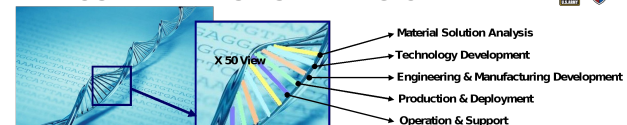
PERFORMANCE BASE LIFE CYCLE MANAGEMENT

Strategic Synchronization of PBL & TLCSM

- All ACAT I and ACAT II programs must consider Performance Based Logistics (PBL) as a viable sustainment strategy.
- PBL has been brought aggressively forward into the Acquisition process to provide as much collaborative Sustainment influence as possible.



INDUSTRIAL BASE STRATEGIC PLAN



	A	B	C	D	E
TRL	1: Component validation	2: Systems/subsystems demonstration	3: System prototype at planned operational demonstration	4: System qualified through test and demonstration	5: System proven through successful mission operations
SRA	Weapon Sys History Industrial Capability Assess Initial Support Strategy Integrate Concept Team	Support Analysis Core Log Assess LORA, Type I BGA Web Sys Support Mod. New Equip Train Plan, Observe, & DMSMS Plan	Support Strategy, Core Depot Assess, SCOR, Type II BGA, Reliability Centered Maintenance, RAM, PPP	Sustainment Readiness Review, Depot Maint. Sup. Plan, PBL Program, Fielding, NET, SCOR	Sustainment Readiness Review-5, Life Cycle Cost Analysis, POM Planning, PBL PPP

Achieve increased visibility, provide real time material readiness & life cycle management, and ensure governance compliance...

- Integrate domain-based organizations and functions
- Incorporate standard procedures for uniformity and repeatability
- Establish agreed-to metrics & apply proven best practices
- Enhance & improve communications and risk management



Thank You !

